

Message Text

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SUBJ: ALCOA-KLOECKNER CONSORTIUM COMPETES FOR SOVIET ALUMINUM
PROJECT

REF: MOSCOW 9538

SUMMARY: ALCOA EXECUTIVES TOLD COMMERICAL OFFICE SEPT 23 THAT ALCO-
KLOECKNER IS STILL RUNNING FOR SIBERIAN ALUMINUM PROJECT ALTHOUGH
FRANCES PECHINEY HAS TECHNOLOGICAL ADVANTAGE. NEXT STEP IS OCT
VISIT TO ALCOA BY FIRST DEPUTY MINISTER OF NON-FERROUS METALLURGY.
END SUMMARY.

1. ALCOA TEAM VISITED MOSCOW LAST WEEK IN COMPANY WITH KLOECHNER
PARTNERS TO RENEW NEGOTIATIONS ON SAYANO-SHUSHENSKOYE ALUMINUM
COMPLEX. FOOLOWING SESSIONS WITH SOVIETS, LEE HOLTZ, ALCOA'S
ASSISTANCT GENERAL CONUSEL, AND TED WHITE, SALES MANAGER OF
TECHNOLOGY MARKETING DIVISION, TOLD USCO DEPUTY DIRECTOR
AND COMOFF THAT THEY HAD FIRMED UP ARRANGEMENTS FOR TRIP TO
UNITED STATES OCT 10-22 BY TEAM HEADED BY V.V. BORODAY, FIRST
DEPUTY MINISTER OF NON-FERROUS METALLURGY, AND INCLUDING MINISTRY
OF FOREIGN TRADE'S S. V. TSUKANOV AND V. A. GARMATA, WHO
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HELPS COORDINATE PROJECT IN COUNCIL OF MINISTERS SECRETARIAT

(VISA INFORMATION IN MOSCOW 14973).

2. HOLTZ AND WHITE SAYD THEY HEOPED BORODAY VISIT WOULD RESULT IN SUFFICIENT PROGRESS SO THAT ALCOA-KLOECKNER COULD PROPOSE SIGNATURE OF PROTOCOL IN NOVEMBER TO SERVE AS BASIS FOR DETAILED TECHNICAL PROPOSAL. HAVING SPENT CONSIDERABLE SUMA ON PREPARATION OF STUDIES FOR NIKOLAYEV ALUMINA PLANT LOST TO PECHINEY,ALCOA IS UNDERSTANDABLY LOATHE TO SPEND ESTIMATED DOLS 700,000 ON PROPOSAL WITHOUT SOME GUARANTEE OF FUTURE BUSINESS. IF PROTOCOL SIGNED IN NOVEMBER, DETAILED PROPOSAL COULD BE READY FOR ACCEPTANCE IN MID-1977. HOLTZ ESTIMATED RESULTING CONTRACT, COVERING SMELTER, ROLLING MILL AND ANODE PLANT, WOULD BE WORTH SOME DOLS 400-500 MILLION.

3. ALCOA REPS CONFIRMED TSUKANOV'S INFORMATION (REFTEL) ON THEIR CONSORTIUM WITH KLOECKNER-HUMBOLDT-DEUTZ AND KLOECKNER-INA AND PROVIDED ADDITIONAL DETAILS. ALCOA IS CONTRIBUTING BASIC TECHNOLOGY AND START-UP ASSISTANCE WHILE KLOECKNER WILL PROVIDE DETAILED ENGINEERING, EQUIPMENT PROCUREMENT AND FINANCING PERMITTING CONSORTIUM TO OFFER FLAT PRICE. HOLTZ FELT THIS ARRANGEMENT WOULD MEAN EUROPEAN SOURCING FOR GREAT MAJORITY OF EQUIPMENT AS KLOECKNER GROUP WOULD MANUFACTURE CONSIDERABLE PORTION ITSELF AND BUY REMAINDER FROM SOURCES OFFERING GOVERNMENT CREDITS.

4. HOLTZ AND WHITE WERE BY NO MEANS SANGUINE ABOUT THEIR PROSPECTS. THEY BELIEVED PECHINEY HAS LEG UP ON THEIR CONSORTIUM AS ALCO SMELTER TECHNOLOGY REQUIRES ALUMINA WITH PHYSICAL DIMENSIONS THAT PECHINEY ALUMINA PLANTS DO NOT ORDIARILY PRODUCE ALTHOUGH NIKOLAYEV PLANT COULD BE ADAPTED TO DO SO. THEY ALSO RUEFULLY RECALLED GIBE BY UNNAMED SOVIET OFFICIAL, WHO WARMLY THANKED THEM FOR HELPING TO BEAT DOWN PECHINEY'S PRICE ON NIKOLAYEV PROJECT.
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